

Energy Innovation and Carbon Dividend Act HR

Section-by-Section Guide to EICDA

Section 1: Short Title

Establishes title as “The Energy Innovation and Carbon Dividend Act of 2023”

Section 2: Findings (pg. 2)

Establishes the context and underlying economic premise of this policy:

- Efficient markets strengthen our economy by encouraging competition & innovation.
- Markets are most efficient when prices reflect all costs, including externalities.
- Pollution costs are externalities which burden all Americans and future generations.
- Carbon Dividends will improve market efficiency, drive innovation, and create jobs.

Section 3: Carbon Dividends and Carbon Fee - Key Components (pg. 3-19)

This section a) creates carbon emissions reduction targets for this policy and b) establishes a gradually-rising carbon fee based on the carbon content of fuels, and c) provides for establishment of Carbon Equalization Tariff on import and export of carbon intensive goods.

This section amends the Tax Code (Title 26) by adding the following subsections:

Subtitle L - “Carbon Dividends and Carbon Fee”

Sec. 9901 - Definitions - Establishes additional defined terms.

Sec. 9902 - Establishes a Carbon Fee as follows:

- (a) Levies fee on certain covered fuels
- (b) How the carbon fee is calculated
- (c) Specifies starting fee and annual increases, (indexed to CPI) as follows
 - Year 1: \$15 per metric ton of CO₂-equivalent (CO₂-e)
 - Fee increases \$10 per ton each year (\$15 if emission targets not met)
 - Fee stops increasing when emissions reach 10% of 2005 levels
- (d) Exemption and refund of fee for fuels not combusted (e.g. oil used in plastics)
- (e) Exemption for Military and Agriculture. Fuels for military and farm use are exempted via refund. GHGs incidental to agriculture operations but not caused by fossil fuel combustion are not subject to fee (i.e. bovine methane, rice paddy methane, etc.)

Sec. 9903 - Emissions Reduction Schedule

Establishes annual targets for emission reduction for each year from 2024 through 2050. Defines reference year as 2005. Defines source metric.

Sec. 9904 - Decommissioning of Carbon Fee

Decommissions the program when emissions reach 10% of 2005 level and when Carbon Dividend drops below \$20 per month for 3 consecutive years.

Sec. 9905 - Carbon Capture and Sequestration

Provides a refund of Carbon Fee paid when qualified carbon dioxide is captured and sequestered in a safe and permanent manner. Requires establishment of sound criteria for safe and permanent sequestration. Only CO₂ from covered fuels, and only rebate for amount likely to remain sequestered.

Sec. 9906 - Administrative Authority

Grants rulemaking authority to Secretary and Administrator to enact the provisions of this program. Ensures no covered fuel assessed duplicative fees.

Sec. 9908 - Carbon Border Fee Adjustment (pg. 19 - 27)

Provides adjustment to equalize embedded carbon fee upon import and export.

- Imports: pay difference between U.S. Fee and country of origin carried price for both fuels and carbon intensive goods
- Exports: both fuels and carbon intensive goods are refunded fees paid less cost of carbon to be levied by jurisdiction of import
- Special attention to compliance with WTO
- Considers full fuel cycle GHGs to ensure symmetric pricing
- Only foreign prices (fees, taxes, caps) considered; not foreign regulations

Sec. 9909 - Administration of The Carbon Border Fee Adjustment

This section describes the methodology to be used by Treasury Secretary for administering the carbon border fee adjustment. Provides measures for compliance with WTO rules and international treaties.

- Shipments of covered fuels and carbon intensive goods from the United States to the non-contiguous territories shall be eligible for a refund of carbon fees paid.
- Imports of covered fuels and carbon intensive goods to the non-contiguous territories shall not be subject to the carbon border fee adjustment.
- Ensures no double-payment
- Instructs to rely on best available methodology for interpolating data gaps
- Petition to secretary to revise tariff assessed.

Sec. 9910 - Allocation of Carbon Border Fee Revenues

Revenue from Carbon Border Fee may be directed towards administrative expenses. Revenue directed to U.S. Customs and Border Protection and the Green Climate Fund.

Sec. 9911 - Treaties and International Negotiations

This section establishes authorization for the Secretary of State to alter carbon border fee adjustment in order to comply with international law. Directions provided to Secretary of State to pursue treaty formation regarding equivalent border pricing and provides for suspension of the carbon border fee adjustment when such treaties are agreed.

Section 4: Carbon Dividend Trust Fund (pg. 27- 31)

This section establishes the Carbon Dividend Trust Fund to hold all revenue from the Carbon Fee. Establishes a Carbon Dividends rebate system to distribute all money in the Trust Fund. Establishes maximum limits for administration expenses.

This section further amends the Tax Code by adding the following subsection:

Sec. 9512 - Carbon Dividend Trust Fund

- (A) Establishes the Carbon Dividend Trust Fund
- (B) Appropriates 100% of net fees to the Trust Fund
- (C) Allows Expenditures as follows:
 - (1) Admin costs of Trust Fund not to exceed 2% after fifth year (8% yrs 1-5)
 - (2) Admin costs of Agencies- not to exceed 0.60%
 - (3) Carbon Dividend Payments
 - a) Secretary shall distribute remaining funds to eligible individuals
 - b) Pro Rata Adults 1 share, Children half share
 - c) Eligible Individuals - residents with SS Number or TIN
 - d) Dividend included in gross income
 - e) Dividend not included in means testing for federal or federal assisted programs
 - f) Advanced Payment at start of program, recouped from future payments
- (D) Grants Secretary the authority to implement and administer Trust Fund

Section 5: Limited Disclosure of Individual Information (Pg. 32)

Allows Treasury Department and Social Security Administration to share individual identity information for the purpose of paying Carbon Dividends under this policy.

Section 6: National Academy of Sciences Review of Efficiency and Efficacy (Pg. 33-35)

By the tenth year of the program, NAS shall study and report findings on the efficiency and effectiveness of the Act in achieving emission reduction targets in the various sectors of the economy. NAS shall make non-binding recommendations to Congress based on its findings.

Section 7: Impact of Carbon Fee on Biomass Use, Carbon Sinks (Pg. 35-36)

The National Academy of Sciences shall study and report findings on whether or not this policy could adversely affect net greenhouse gas emissions from the use of biomass as an energy source or have adverse effects on carbon sinks provided by biomass and its impact on biodiversity. NAS shall make non-binding recommendations to Congress on how to prevent or mitigate such negative consequences.

Sections 8 - 10: Housekeeping Provisions (pg. 36-37)

Section 8: Effective Date - Carbon Fee shall begin 270 days after enactment

Section 9: Principles of Interpretation

Section 10: No Preemption of State Law

